
Finance Committee

HB 2820

Brief Description: Providing business and occupation tax relief for businesses impacted by light rail construction.

Sponsors: Representatives Pettigrew, Santos, Hinkle, Hasegawa, Hudgins, Chase, Holmquist, Upthegrove and McDonald.

Brief Summary of Bill

- Exempts the activities of certain businesses along the Sound Transit light rail construction route from Business and Occupation taxes until no later than 2009.

Hearing Date: 1/25/06

Staff: Mark Matteson (786-7145).

Background:

Business and occupation tax. Washington's major business tax is the Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. Retailing activities, for example, are taxed at a 0.471 percent rate, while general services are taxed at a 1.5 percent rate.

The B&O tax does not permit deductions for the costs of doing business, such as payments for raw materials and wages of employees.

Sound Transit's Link Light rail project and impact to businesses. Sound Transit is the regional transit authority for Snohomish, King, and Pierce counties. Sound Transit began construction of a 14 mile light rail line from downtown Seattle to Tukwila in late 2003. The line is expected to be operational by July 2009, with an extension to SeaTac Airport operational in late 2009.

Part of the light rail line is an at-grade facility that occupies part of the right-of-way along Martin Luther King (MLK) Jr. Way in Rainier Valley in southeast Seattle. To address impacts to businesses and communities due to the construction along MLK Jr. Way, Sound Transit in 1999 established a \$50 million fund "to mitigate impacts of construction and operation of light rail in southeast Seattle"; this fund is known as the Rainier Valley Community Development Fund (RVCDF). In 2002, a nonprofit was organized to establish and manage the fund.

According to the September 8, 2005 Sound Transit board meeting minutes, Jaime Garcia, the executive director of the RVCDF nonprofit, testified that 32 percent of the businesses receiving business disruption assistance from the nonprofit had experienced sales declines of 50 percent or more.

Summary of Bill:

An exemption from B&O tax is provided with respect to any amounts received by a business that is located on a parcel of land that is less than 500 feet from the right-of-way of Martin Luther King, Jr. Way between McClellan Street and Boeing Access Road. The exemption expires either when the Department of Revenue determines that the affected MLK, Jr. Way segment of the light link rail line is substantially complete or on July 1, 2009, whichever occurs first..

Appropriation: None.

Fiscal Note: Requested on January 17, 2006.

Effective Date: The bill contains an emergency clause and takes effect immediately.